STATE OF ARIZONA

Joint Committee on Capital Review

STATE SENATE

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HOUSE OF REPRESENTATIVES

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BOB MCLENDON
ANDY NICHOLS
CHRISTINE WEASON

REVISED MEETING NOTICE

DATE: Tuesday, November 28, 2000

TIME: ~~10:00 a.m.~~ 8:30 a.m.

PLACE: HOUSE HEARING ROOM 5

TENTATIVE AGENDA

- Call to Order

- Approval of Minutes of October 19, 2000.

- DIRECTOR'S REPORT (if necessary).

1. ARIZONA DEPARTMENT OF ADMINISTRATION - Consider Approval of FY 2002 and FY 2003 Rental Rates for State-Owned Space.

2. ARIZONA DEPARTMENT OF TRANSPORTATION - Review of Scope, Purpose, and Estimated Cost of Motor Vehicle Division Central Arizona Port Project.

3. SCHOOL FACILITIES BOARD - Review of FY 2001 Building Renewal Allocation Plan.

4. DEPARTMENT OF HEALTH SERVICES/ARIZONA DEPARTMENT OF ADMINISTRATION - Report on the Arizona State Hospital Construction Project.

5. ARIZONA STATE PARKS - Report on Kartchner Caverns State Park.

The Chairman reserves the right to set the order of the agenda.
11/20/00

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HOUSE OF REPRESENTATIVES

MINUTES OF THE MEETING
JOINT COMMITTEE ON CAPITAL REVIEW

Thursday, October 19, 2000

The Chairman called the meeting to order at 10:12 a.m. Thursday, October 19, 2000 in House Hearing Room 5 and attendance was noted.

Members:	Representative Burns, Chairman	Senator Gnant, Vice-Chairman
	Representative Cooley	Senator Arzberger
	Representative Johnson	Senator Brown
	Representative Weason	Senator Solomon
		Senator Smith
		Senator Wettaw
Absent:	Representative Daniels (Excused)	Senator Bowers
	Representative McLendon	
	Representative Nichols	
Staff:	Richard Stavneak	Jan Belisle, Secretary
	Lorenzo Martinez	Bruce Groll
	Chris Earnest	Stefan Shepherd
	Steve Grunig	Paul Shannon
Others:	Greg Fahey, U of A	Paul Davenport, Press
	Dick Roberts, U of A	Terry Jones, Gila County
	Greg Gemson, House	Jay Ziemann, State Parks
	Charlotte Hosseini, ADOA	Renee Bahl, State Parks
	Douglas Schuster, Mohave Sheriff's Office	Robert Teel, ADOA
	Fred Bloom, Game & Fish	Pat Curtis, DES

APPROVAL OF MINUTES

Representative Burns asked for corrections or additions to the minutes of September 14, 2000. Hearing none, the minutes were approved as submitted.

ARIZONA DEPARTMENT OF ADMINISTRATION (ADOA) — Recommendation on Rent Exemption for Motor Pool and Maintenance Facilities.

Paul Shannon, JLBC Staff presented ADOA's request that the Committee recommend a partial rent exemption of $58,600 for the tenants of the new motor pool building and the 2 new buildings at the maintenance compound. The exemption is required as a result of obligations for existing space and increased space at the new facilities for which rent was not appropriated. The JLBC Staff recommends the Committee recommend the rent exception.

In reply to Senator Smith, Mr. Shannon stated the exemption would be for FY 2001.

(Continued)

Senator Gnant moved that the Committee recommend to the Director of the Arizona Department of Administration a FY 2001 rent exemption of $58,600 to the Facilities Management and Support Services programs of ADOA. The motion carried.

DEPARTMENT OF ECONOMIC SECURITY - Review of the Scope, Purpose, and Estimated Cost of Safety Improvements at the Arizona Training Program at Coolidge.

Stefan Shepherd, JLBC Staff presented the scope, purpose and estimated cost of safety improvements at the Arizona Training Program at Coolidge in the amount of $938,300. This amount would renovate 5 group homes and replace fire alarm panels in 6 buildings. The JLBC Staff recommends a favorable review of the request.

In response to Senator Arzberger, Senator Gnant stated that Staff has also recommended any transfers among the listed projects in excess of $50,000 be reported to the JLBC Staff prior to expenditure as a result of prior requests by the Committee to have that stipulation included.

In answer to Representative Weason, Lorenzo Martinez, JLBC Staff stated that design costs for capital projects are usually within 5-10% of total project cost and the amount of $72,000 or 9% is reasonable.

Senator Gnant moved that the Committee give a favorable review to the scope, purpose and estimated cost of the safety improvements at the Arizona Training Program at Coolidge in the amount of $938,300. The Committee also requested that any transfers among the projects in excess of $50,000 be reported to the Joint Legislative Budget Committee Staff prior to expenditure. The motion carried.

ARIZONA GAME AND FISH DEPARTMENT — Review of FY 2001 Building Renewal Allocation Plan.

Bruce Groll, JLBC Staff presented the Arizona Game and Fish Department FY 2001 Building Renewal allocation plan of $275,400 from the Game and Fish Fund. The JLBC Staff recommends a favorable review of the allocation plan.

In answer to Representative Cooley, Mr. Groll said that building renewal is one of the allowable uses of the Game and Fish Fund.

Senator Gnant moved that the Committee give a favorable review to the FY 2001 Building Renewal allocation plan of $275,400 from the Game and Fish Fund. The motion carried.

ARIZONA STATE PARKS — Review of State Lake Improvement Fund Projects.

Chris Earnest, JLBC Staff presented the review of the State Lake Improvement Fund (SLIF) projects and grants for FY 2001. There is a total of 20 projects and grants totaling $6,234,100. The JLBC Staff recommends a favorable review of these projects and grants. There is a growing unobligated balance in the SLIF that is currently $1.6 million (after projects and grants are awarded). The Staff is monitoring the situation relative to whether the amount of monies received by the fund are excessive relative to the grants being requested, or whether the evaluation criteria used to determine grants is too stringent.

In response to Representative Johnson, Chris Earnest said there was approximately $8 million requested for grants this year. Approximately $4.7 million was available for grants. No one entity may receive more than 20% of the available revenues. More was requested than was available and $4.1 million was approved of the $4.7 available. There is 11.8% available revenues for administration which equates this year to $926,000. The statewide average amount for administration may vary depending on how Administration is defined. At the present time there is no standard definition.

Senator Smith asked if the $244,414 for the Mohave County Sheriff's Office to purchase two watercraft was excessive.

Douglas Schuster, Mohave County Sheriff Office stated that commercial grade watercraft are necessary to patrol the Colorado. Mohave County has the busiest lake in the state and adequate boats are needed.

(Continued)

Senator Gnant asked if the boats came fully equipped. Mr. Schuster said yes and that the boats are 27 feet long. The trailer is also included in the price.

In reply to Senator Solomon, Mr. Schuster stated the boats are specifically for Lake Havasu and are replacing two existing boats that were purchased about 10 years ago.

In response to Senator Solomon, Mr. Earnest replied that there was a recommendation in the last biennium to transfer $1,000,000 from the SLIF fund to the General Fund.

Senator Arzberger asked if the SLIF fund can improve lakes on forest service land. Mr. Earnest said that the federal government is not an eligible participant. Only state and local entities are eligible.

Representative Weason asked what benefit the $250,000 engineering feasible study for Crescent Lake brings to the state. Renee Bahl, State Parks stated the feasibility study is to determine the technical and economic viability of a lake should they decide to build one there. The cost of the study is not unreasonable for this type of project. What will be determined is how many people will come and what the economic benefit will be. To the Parks knowledge, there have not been studies done in the past. LaPaz County will determine whether to conduct the study as one contract, or multiple contracts.

Representative Weason asked for an itemized list of expenditures and how much of that would be for administrative costs.

Representative Cooley stated that he did not feel 45 miles to drive to have access to water is a hindrance to recreation. He did not feel there was sufficient justification for building another lake.

Senator Gnant moved that the Committee give a favorable review to the State Lake Improvement Fund projects and grants totaling $6,234,100.

Representative Johnson moved to amend the motion to exclude the $250,000 for an Engineering Feasibility Study for a lake in LaPaz County until the Committee receives more information.

Division was called on the amendment to the motion. With a show of hands there were 5 Ayes, 5 Nays. The motion to amend the original motion failed.

The original motion carried.

Report on Kartchner Caverns State Parks.

Chris Earnest, JLBC Staff gave a brief report on Kartchner Caverns State Park. The bats have left the cave and the project is scheduled for completion in November 2003. There have been concerns regarding the humidity and environmental conditions in the cave. The Staff recommends the Parks Board include information in their next report on the environmental conditions in the cave.

Representative Cooley asked if the revenue generated at the park has been dedicated to further construction and development of the park. Mr. Earnest stated that the monies go into the State Parks Enhancement Fund which does benefit Kartchner Caverns. Half of the fund is used for parks operations including the operations at Karchner Caverns. The other half is dedicated for acquisition and development of state parks.

Jay Ziemann, State Parks distributed to the Committee the Arizona State Parks Capital Needs Continued Development report. He stated that Kartchner Caverns is in fine health. There has been a lot of rain in the last couple of months and water is pouring into the cave.

The distributed report shows the needs and impacts that Karchner has had on other parks. The projects in the report have not been prioritized as of yet.

(Continued)

Representative Burns asked how individuals came to the conclusion that conditions in the cave are drying and the temperature differs from 10-15 years ago. Mr. Ziemann stated that the genesis of the criticism started with the two men who discovered Kartchner in 1988. The concerns were discussed in an article that appeared in the New York Times. The discoverers were part of a company that had done some of the original baseline environmental assessments inside the cave in 1989. It was a very raw cave at that point. What they discovered were some changes in the evaporation rate, the humidity and temperatures inside Kartchner Caverns beginning about 1997. The New York Times article attributed all the changes to human visitation to the cave. There are several factors that will impact the environment of the cave. They are visitation, the construction and development and the drought that has been experienced over the last 3-4 years. It appears that one needs to be vigilant and monitor the cave when making changes to the cave.

No Committee action was required.

UNIVERSITY OF ARIZONA - Report on Mt. Graham Observatory Lease-Purpose Project.

Lorenzo Martinez, JLBC Staff presented follow-up information on the Mt. Graham Observatory Lease-Purpose Project. The power line will be financed with Certificates of Participation (COPs) and the university is confident user fees will be sufficient to repay the project.

In response to Representative Johnson, Lorenzo Martinez stated that the COPs will be paid back over a 25 year period at an interest rate of 5.6%.

No Committee action was required.

Without objection, the meeting adjourned at 10:45 a.m.

Respectfully submitted:

Jan Belisle, Secretary

Lorenzo Martinez, Senior Fiscal Analyst

Representative Robert “Bob” Burns, Chairman

NOTE: A full tape recording of this meeting is on file in the JLBC Staff office at 1716 W. Adams.

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HOUSE OF
REPRESENTATIVES

DATE: November 20, 2000

TO: Representative Bob Burns, Chairman
Members, Joint Committee on Capital Review

THRU: Richard Stavneak, Director

FROM: Lorenzo Martinez, Senior Fiscal Analyst

SUBJECT: ARIZONA DEPARTMENT OF ADMINISTRATION - CONSIDER APPROVAL OF FY 2002 AND FY 2003 RENTAL RATES FOR STATE-OWNED SPACE

Request

The Arizona Department of Administration (ADOA) requests the Committee determine the FY 2002 and FY 2003 rental rates for state-owned office and storage space. Based on actions of the Lease Cost Review Board (LCRB), the Director of ADOA recommends the following FY 2002 and FY 2003 rental rates (per square foot):

FY 2001		FY 2002		FY 2003	
Office	**Storage**	**Office**	**Storage**	**Office**	**Storage**
$13.50	$4.50	$15.00	$5.50	$15.50	$6.00

The LCRB also estimates that the state's average cost for leasing privately-owned office space will be $17.50 per square foot in FY 2002 and $18.25 per square foot in FY 2003.

Recommendation

The JLBC Staff recommends the Committee defer determining rental rates until other issues that may impact the General Fund in FY 2002 and FY 2003 are better quantified. In comparison to the FY 2001 budget, the ADOA proposal will cost the General Fund $912,800 in FY 2002 and $1,224,400 in FY 2003.

Analysis

Pursuant to A.R.S. § 41-792.01(D), the Committee determines the rental rate for state-owned office and storage space after considering the recommendation of the Director of ADOA. Rent paid for state-owned space is deposited in the Capital Outlay Stabilization Fund (COSF). The monies in COSF are available for appropriation for utility payments on ADOA office buildings, Building Renewal, operating costs of the Building and Planning Services and Construction Services sections of the ADOA General Services Division, and specific capital projects. Agencies pay their rent from a variety of sources, including federal and other non-appropriated funds.

The state began charging agencies for occupying state-owned space in an attempt to hold agencies accountable for their space usage, to encourage the efficient use of space, and to generate monies to maintain state buildings. Rent is paid on buildings located on the Capitol Mall and Tucson Mall.

(Continued)

The recommended rates reflect the LCRB belief that the state rental rate should be 85% to 95% of private sector rates in order to encourage state building use and to allow the state to manage state-owned buildings effectively. In addition, keeping pace with private sector rates lessens the funding requirement if an agency must relocate from state space to private space (given that state space is effectively 100% occupied).

The recommended rates would require additional funding in agency budgets. The following table lists the estimated impact of the increases associated with the new rates.

	General Fund	Other Appropriated Funds	Non-Appropriated Funds	Total
FY 2002 Increase (from FY 2001)	$ 912,800	$260,800	$130,400	$1,304,000
FY 2003 Increase (from FY 2001)	$1,224,400	$349,800	$174,900	$1,749,100
Total Biennial Requirement	**$ 2,137,200**	**$610,600**	**$305,300**	**$3,053,100**

While the increased rates would generate approximately $915,900 from non-General Fund sources over the FY 2002-FY 2003 biennium, it would require an additional $2,137,200 from the General Fund over the same time period. Given that the FY 2002-FY 2003 biennial budget is still being developed, the JLBC Staff recommends the Committee defer determining rental rates until other issues that may impact the General Fund are better quantified. On the other hand, Committee approval of the ADOA proposal would generate an additional $3,053,100 in the FY 2002-FY 2003 biennium for COSF items such as ADOA Building Renewal.

In addition, the Joint Legislative Study Committee on the State Building Renewal Formula and Process is considering recommending the implementation of an assessment on agencies that do not currently pay rent in order to generate additional funding for COSF to fully fund Building Renewal. If an assessment to generate sufficient COSF monies for Building Renewal (and the other programs it currently supports) were implemented, the need to increase state rental rates may not be as great. The Study Committee is also exploring other mechanisms to fully fund Building Renewal, which if accomplished, could also reduce the need to generate COSF monies through rental rates.

RS:LM:jb

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HOUSE OF REPRESENTATIVES

DATE: November 17, 2000

TO: Representative Bob Burns, Chairman
Members, Joint Committee on Capital Review

THRU: Richard Stavneak, Director

FROM: Bob Hull, Principal Research/Fiscal Analyst

SUBJECT: ARIZONA DEPARTMENT OF TRANSPORTATION - REVIEW OF SCOPE, PURPOSE, AND ESTIMATED COST OF MOTOR VEHICLE DIVISION CENTRAL ARIZONA PORT PROJECT

Request

The Arizona Department of Transportation (ADOT) requests that the Committee review the release of $268,300 to replace 3 trailers and to make site improvements at the Motor Vehicle Division (MVD) Central Arizona Port ($268,300 FY 2001 appropriation).

Recommendation

The JLBC Staff recommends a favorable review of the request.

Analysis

Pursuant to A.R.S. § 41-1252(C), the Committee shall review the scope, purpose, and estimated cost of appropriated capital projects prior to the release of monies for construction. Laws 1999, Chapter 2, 1st Special Session appropriated $268,300 in FY 2001 from the State Highway Fund to ADOT, to replace 3 old trailers and to fund site improvements at the MVD Central Arizona Port, which is located at 1225 N. 25th Avenue in central Phoenix.

ADOT proposes to buy and install a single 4,260 square foot 6-unit modular building, and to remove and dispose of 2 of the 3 old trailers, with the third trailer being kept for storage. The new modular building would cost a total of $243,300, including $240,500 for the building, and $2,800 for a 50-foot long canopy. The following table summarizes the department's expenditure plan for the appropriation:

Modular Building	$240,500
Canopy	2,800
Remove 2 Existing Trailers	5,700
Telecommunications & Computer Hookups	8,000
Design, Risk Management, & Contingency	11,300
Total Appropriation	**$268,300**

(Continued)

ADOT reports that outside utility lines, such as water, sewer and electricity, may need to be relocated and upgraded to accommodate the larger modular building, which will be sited near the existing trailers but in a different position. ADOT plans to use other funding sources to accomplish this should it be necessary.

The JLBC Staff recommends a favorable review of the request.

RS:BH:jb

DATE: November 20, 2000

TO: Representative Bob Burns, Chairman
Members, Joint Committee on Capital Review

THRU: Richard Stavneak, Director

FROM: Patrick Fearon, Senior Fiscal Analyst

SUBJECT: SCHOOL FACILITIES BOARD — REVIEW OF FY 2001 BUILDING RENEWAL ALLOCATION PLAN

Request

The School Facilities Board requests that the Committee review its proposed distribution of Building Renewal Fund monies for FY 2001, as required by A.R.S. § 15-2031.

Recommendation

The JLBC Staff recommends that the Committee give a favorable review of the request, pending further clarification and resolution of litigation surrounding prior-year funding shortfalls (see discussion below). We only became aware today of a Superior Court's October 13 ruling on this litigation and we have not yet had an opportunity to analyze the decision.

Analysis

The Building Renewal Fund is established by A.R.S. § 15-2031 in order to provide funding for school districts to maintain the adequacy of existing school facilities. Building renewal monies are intended for major renovations/repairs, upgrading systems to extend the life of a building, and infrastructure costs on academic buildings owned by a district. By October 1 of each year, A.R.S. § 15-2031(E) requires the JCCR to review the board's distribution plan for Building Renewal Fund monies prior to their being allocated to school districts. The board did not approve the proposed distribution plan until November 9. For FY 2001, the board plans to distribute a total of $120 million from the Building Renewal Fund. The proposed allocation to each school district appears in the attached table. A.R.S. § 15-2031(E) requires that these monies be distributed in two equal installments in November and May.

Under A.R.S. § 15-2002(A10), the board must report to JCCR by December 1 of each even-numbered year regarding the estimated amounts needed for building renewal in the following 2 fiscal years. A.R.S. § 15-2002(A10) also requires the board to instruct the Treasurer by January 1 each year regarding

(Continued)

the amount of Transaction Privilege Tax revenues to be credited to the Building Renewal Fund in the following fiscal year. These monies do not require an appropriation. For FY 2001, the board reported to JCCR at the December 6, 1999 meeting and subsequently instructed the Treasurer to credit $120 million to the Building Renewal Fund in FY 2001. This amount has been built into the overall General Fund budget for FY 2001.

Status of Prior Year Shortfalls. During the past two fiscal years, the board's distributions to school districts for building renewal were cumulatively $55.3 million less than the building renewal formula would have required for "full funding." In FY 1999, the board distributed $75 million for building renewal**C**equaling the amount appropriated for building renewal for that year in Students FIRST**C**but that amount was $28.7 million less than required by the formula. Accordingly, the board reduced each school district's allocation to approximately 72% of its full formula amount. In FY 2000, the board distributed all $82.5 million available in the Building Renewal Fund, but that amount was $26.6 million less than required by the formula (for a total cumulative 2-year shortfall of $55.3 million). The board therefore reduced each district's FY 2000 allocation under the formula to approximately 76% of its full formula amount.

In response to a lawsuit that would require payment of these shortfalls, a Maricopa County Superior Court ruled in October that the board could reduce the FY 1999 allocations because the amount available for distribution in that year was governed by a specific appropriation to the Building Renewal Fund. In FY 1999 the Legislature appropriated a specific amount for Building Renewal. In FY 2000, the funding level was determined by the board's January 2000 report to the Treasurer as required under A.R.S. § 15-2002. (See Attachment A for Superior Court decision. Please note that the court references to fiscal year 1998 should be to fiscal year 1999 and the FY 1999 references should be FY 2000).

With regard to FY 2000 and succeeding years, the Court appears to have ruled that the allocations under the Building Renewal Fund should be governed by the formula, not by the amount in the fund. According to the Court, " . . . had the legislature not intended the building renewal formula to be utilized for the fiscal year beginning July 1, 1999 it would have said so in the Act. The failure to include such a provision indicates that the legislature intended that the building renewal formula be utilized" for that fiscal year. The Court also appeared to suggest that the Board can provide supplemental instructions to the Treasurer after its January 1 statutory deadline if it receives updated information on the formula requirements.

The court also ruled that this does not necessarily mean that the shortfall was a violation of the state constitution's guarantee of a general and uniform school financing system. The Court ruled that evidence would have to be presented about the impact of the shortfall before such a finding could be made.

New Shortfall in FY 2001. For FY 2001, the board originally estimated the Building Renewal formula amount to be $116.8 million, but instructed the treasurer in January 2000 to credit $120 million to the Building Renewal fund to have a cushion for unexpected changes. Since then, the formula amount has been recalculated to require $122.7 million in FY 2001. About $5.6 million of the additional cost was the result of higher-than-expected increases in the construction cost inflator, while the remainder was because of corrections in the database. Because the Board instructed the Treasurer to deposit only $120 million in the Building Renewal Fund, the board plans to reduce each district's FY 2001 formula allocation to about 98% of its full amount. For example, Washington Elementary District in Phoenix will receive $3,921,704 versus $4,010,768 under full funding. In total, the shortfall in FY 2001 will be $2.7 million.

Quality of Data Used to Calculate Allocations. The primary components of the formula are the age of a building (which is adjusted for significant remodeling/upgrades) and building capacity value (which takes into account the building's student capacity, square footage, and square footage costs prescribed by

(Continued)

statute). Because this was a new process in prior years, the board based both the FY 1999 and FY 2000 estimates on self-reported data from school districts. This initial data is still being validated as part of a required assessment of school districts. A small proportion of school districts have provided corrected data. The data used to calculate the FY 2001 allocations, however, still are not completely validated. As noted during the Committee's FY 1999 and FY 2000 reviews, the JLBC Staff is concerned that self-reported data may penalize districts that accurately report renovations or other building characteristics that reduce their formula amounts. The JLBC Staff is also concerned about the extent to which important self-reported data in general were incomplete or missing for many school districts. In future years, we hope that the use of data from the current statewide assessment will address these issues.

Improvement in Building Age Calculation. Although the JLBC Staff was concerned in FY 1999 and FY 2000 that the board's method for adjusting building age penalized districts that renovated buildings before 1998, we believe that this is no longer an issue. For FY 1999, the board calculated building age using the assumption that all renovations reported during the original data collection occurred in 1998.

This reduces funding for districts that actually renovated in earlier years. The board used 1998 as the base year because many school districts lacked detailed records on pre-Students FIRST building renovationsCparticularly those from the distant past. In FY 2000 and later years, the renovations applied to a building's age in the building renewal database are simply the renovations in the previous fiscal year, which should be well documented for all school districts.

As the building renewal process matures, we would expect to see improvements in areas such as data quality and simplified assumptions. The current effort to validate districts' self-reported data and the greater accuracy of the building age calculation are signs of such improvement. Consequently, the JLBC Staff recommends a favorable review of the board's distribution plan under the assumption that the state's legal position is upheld.

RS/PF:jb
Attachments

DATE: November 21, 2000

TO: Representative Bob Burns, Chairman
Members, Joint Committee on Capital Review

THRU: Richard Stavneak, Director

FROM: Gina Guarascio, Senior Fiscal Analyst

SUBJECT: DEPARTMENT OF HEALTH SERVICES/ADOA – REPORT ON THE ARIZONA STATE HOSPITAL CONSTRUCTION PROJECT

Request

Pursuant to Laws 2000, Chapter 1 the Arizona Department of Administration (ADOA) and the Department of Health Services (DHS) are providing a quarterly status report on the Arizona State Hospital (ASH) demolition and construction project.

Recommendation

This item is for information only and no Committee action is required. ADOA is in the process of reviewing responses to the Request for Proposal (RFP) for construction of the new civil hospital and adolescent facility, and is making progress on the demolition of unoccupied buildings, a step that is necessary before construction on the new facilities can begin.

Analysis

Background
Laws 2000, Chapter 1 appropriated $80 million over 4 years for the demolition, construction and renovation of ASH. ADOA is to use the appropriations to provide at least 176 new civil beds at ASH, and to renovate and expand existing facilities to address physical plant needs for civil and forensic populations, an adolescent unit, and sexually violent offenders. The legislation also created the Arizona State Hospital Capital Construction Commission and charged them with reviewing capital construction and renovation plans at ASH for the purpose of making recommendations to ADOA and JCCR. ADOA and DHS are required to report at the end of each quarter to the Committee on the status of the ASH project. This report represents the third of these quarterly reports.

(Continued)

Quarterly Update and Status Report

Table 1

	Budgeted Amount	Total Reviewed To Date
SVP Program	$ 8,369,100	$ 5,340,600
Civil Hospital	32,599,700	0
Sitework/Tunnels/Telephone/Data	12,414,900	9,435,000
Adolescent Facility	3,907,100	0
Forensic Hospital	11,803,700	0
Contingency	7,155,400	587,000
TOTAL	**$76,249,900**	**$15,362,600**

Table 1 presents the amounts ADOA and DHS have budgeted for each portion of the ASH demolition and construction project, as well as the total value of expenditure plans for the project that JCCR has favorably reviewed to date.

At its June meeting, JCCR approved an expenditure plan for construction of 2 new 60-bed dormitories for the Sexually Violent Persons (SVP) program using the Inmate Construction program. Construction is now underway on both of the dormitories, with completion expected in July of 2001.

At the September meeting, JCCR approved the renovation of Birch Hall for use by the Least Restrictive Alternative (LRA) population. DHS Family Health personnel that have been housed at Birch Hall have been relocated to their new location at 35th Ave and Thomas in Phoenix. The LRA program is currently housed in the Alamo building in the northwest quadrant of the ASH complex. ADOA's current master plan places the new civil hospital in this location. The asbestos abatement of Birch Hall has now been completed and renovation of the building for use by the LRA program is underway.

Significant progress has been made on the demolition of the unoccupied buildings, including the cottages in the northwest quadrant of the ASH complex. ADOA anticipates that demolition of all unoccupied buildings in this quadrant will be complete by the end of the year. Design of the tunnel abandonment and necessary utility rerouting is nearly complete. ADOA anticipates issuing a request for proposal to demolish the tunnels and complete this portion of the construction project by the end of November.

New Construction RFP
ADOA received responses on November 6, 2000 to Phase 2 of the RFP process from the three teams selected as most qualified based on responses to Phase 1 of the RFP. Phase 1 included a request for qualifications in which 3 teams were selected from the 9 respondents. In Phase 2, the 3 teams submit their responses to the RFP, including designs and cost estimates for the civil hospital and the adolescent facility. Each of the teams include a local architect, a construction firm, and an architecture firm with expertise in health care. The three teams are:

1) DPR, Kaplin McLauglin Diaz, and Devenney Group,
2) Huber Hunt and Nichols, HKS, Stein Cox and Architecture, and
3) McCarthy, Cannon and Gould Evans Associates.

JCCR favorably reviewed Phase 2 of the RFP at its September meeting. ADOA and DHS are in the process of reviewing the responses. Pursuant to Chapter 1, JCCR is required to review the RFP, the responders' proposals, and the complete plan for the ASH campus prior to the start of construction. The review of the RFP is complete, leaving a review of the responder's proposals and the master plan to be completed. Our interpretation of these requirements is that ADOA would present the 3 proposals, along with their recommendation for contractor selection, to JCCR in Executive Session in December. After JCCR's review, ADOA would award the bid. Then, after the plans are finalized, ADOA would present the final plan to JCCR for review prior to beginning construction.

RS/GG:jb
Attachments

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DATE: November 21, 2000

TO: Representative Bob Burns, Chairman
Members, Joint Committee on Capital Review

THRU: Richard Stavneak, Director

FROM: Chris Earnest, Senior Fiscal Analyst

SUBJECT: ARIZONA STATE PARKS - REPORT ON KARTCHNER CAVERNS STATE PARK

Request

Pursuant to Laws 1998, Chapter 297 the Arizona State Parks Board is providing the quarterly project status and financial report on Kartchner Caverns State Park for the quarter ending September 30, 2000.

Recommendation

This report is for information only and no Committee action is required. Cave construction continues to be on target for the planned November 2003 opening of the lower caverns. In response to recent outside concerns about the environmental conditions in the cave, Parks Staff is in the process of hiring a cave specialist to monitor and advise on environmental issues.

Attendance continues to be strong at the Park. Since the park opened in November 1999, over 172,000 people have visited. Reservations are full through the end of December. In the 12-month period that the cave has been open, $2.7 million in revenue has been generated.

Analysis

The Arizona State Parks Board is required to report at the end of each calendar quarter to the Committee on the status of the development of Kartchner Caverns State Park. The report must include details of the actual and projected costs, quarterly expenditures and source of monies, and a project development timetable.

Financial Summary

As of the quarter ending September 30, 2000, a total of $31,465,800 has been allocated to the park's development from 5 fund sources. Of this amount, all but $3,974,300, or 12.6% of the total, has been expended or encumbered. The following table summarizes these amounts by fund source and percentage allocations:

(Continued)

Kartchner Caverns Construction Development Funding
(As of September 30, 2000)

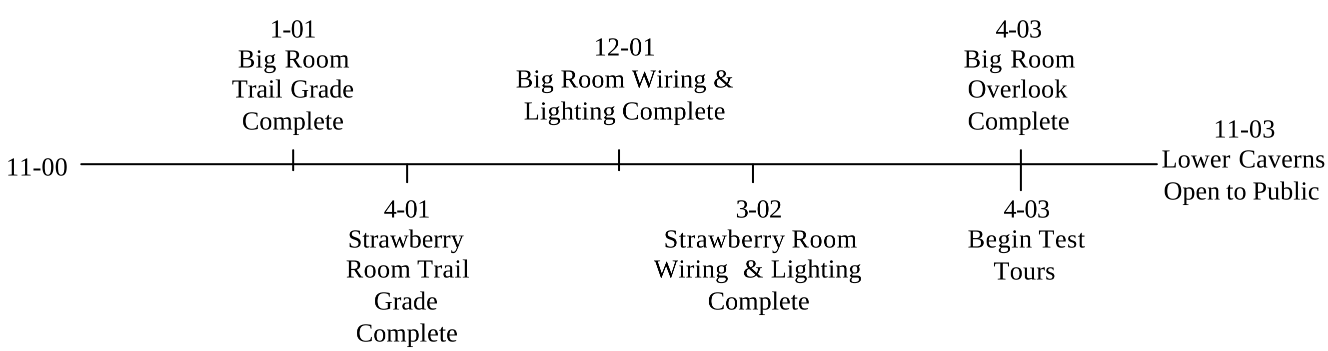
Fund Source	Approved Amount	Percent	Unobligated Balance
General Fund	$ 3,500,000	11.1%	$ 0
Enhancement Fund	20,144,900	64.0%	3,359,900
Heritage Fund	5,174,500	16.4%	614,400
State Highway Fund	2,445,700	7.8%	0
National Recreational Trails Fund	200,700	0.6%	0
TOTAL	**$31,465,800**	**100%**	**$3,974,300**

Development Status Summary
Trail construction began again in Mid-September, after roosting bats left the cave. Crews are currently involved in breaking up rock, grading trail, and putting down concrete.

The park's campground is now fully open. The facility has 60 units and charges a camping fee of $20 per night. Other park additions include 2 new picnic shelters that were added to the picnic area to accommodate bus tours and other large groups.

Environmental Conditions
At the last JCCR meeting, the Committee requested that future quarterly reports include an update of environmental conditions in the cave. Parks Staff is in the process of hiring a cave specialist to monitor and advise on environmental cave issues. In the mean time, they have been consulting with a number of cave experts. The consultants indicated that due to drought conditions, higher temperatures and lower humidity levels have been common to several southwestern caves in recent months.

Project Timetable
A project timeline is required as part of the quarterly updates on Kartchner development. As reviewed by the Committee in May, Parks Staff has established November 2003 as a completion date for the lower caverns. The target date assumes that during the summer months, no construction will occur due to roosting bats in the cave. It also assumes that construction will be at a reduced level in May and September when the bats are arriving and departing. This year the bats left in September, thus keeping the project on schedule. In future years, however, if construction cannot proceed during May and September, development staff anticipate an October 2004 completion date. The following timeline delineates target completion dates for projects leading to a November 2003 opening:



RS:CE:jb